

**PEARSON INVESTMENT SERVICES LIMITED**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 1999**



**Registered Office:**

**3 Burlington Gardens  
London  
W1X 1LE**

**Registered in England  
Number 59713**

PEARSON INVESTMENT SERVICES LIMITED

Directors

J E Gomm  
A J Midgley  
J E Powney

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 1999.

The company is an investment holding company and holds investments in fellow subsidiary companies of the Pearson group.

The profit for the year after taxation amounted to £979,000 (1998: (£188,000)). The directors do not recommend a dividend. The profit has been transferred to reserves.

The present directors are listed above. P T B Vickers resigned on 30 June 1999. All the other directors served throughout the year.

The ultimate parent company is Pearson plc. The interests of the directors in shares and debentures and loan stocks of Pearson plc and its subsidiaries, as shown by the register kept for the purpose of section 324 of the Companies Act 1985, are as follows:

	At 1.1.99 or date of appointment	SAYE/ Granted	Exercised	At 31.12.99
J E Gomm				
Pearson plc:				
SAYE options on ordinary shares	442	94	-	536
Executive options on ordinary shares	nil	800	-	800
Pearson Bonus plan	nil	15	-	15
A J Midgley				
Pearson plc:				
SAYE options on ordinary shares	1,267	-	-	1,267
Executive options on ordinary shares	3,500	2,500	-	6,000
Pearson Bonus plan	nil	15	-	15
J E Powney				
Pearson plc:				
SAYE options on ordinary shares	nil	284	-	284
Executive options on ordinary shares	nil	1,000	-	1,000
Pearson Bonus plan	nil	15	-	15

During the year to 31 December 1999 the company maintained an insurance covering officers of the company against liabilities arising in relation to the company in accordance with section 310(3)(a) of the Companies Act 1985.

The company experienced no problems in connection with the Year 2000 issue. Full details of the Year 2000 programme are contained in the consolidated financial statements of Pearson plc.

By order of the board



J E Powney  
Secretary

1 march 2000

PEARSON INVESTMENT SERVICES LIMITED

Profit and Loss Account for the Year ended 31 December 1999

	<u>Notes</u>	<u>1999</u> £000	<u>1998</u> £000
Exchange gains/(losses)		1,403	(273)
Other income		<u>1</u>	<u>-</u>
Profit/(loss) on ordinary activities before taxation		1,404	(273)
Taxation on profit/(loss) on ordinary activities	4	(425)	85
Retained profit/(loss) for the year		<u>979</u>	<u>(188)</u>
Profit and loss account brought forward		<u>(15,144)</u>	<u>(14,956)</u>
Profit and loss account carried forward		<u>(14,165)</u>	<u>(15,144)</u>

The company has no recognised gains and losses other than those included in the profit/(loss) above and therefore no statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

All the above results derive from continuing operations.

PEARSON INVESTMENT SERVICES LIMITED

Balance Sheet at 31 December 1999

	<u>Notes</u>	<u>1999</u> £000	<u>1998</u> £000
<u>Fixed assets</u>			
Investments	5	<u>34,148</u>	<u>34,148</u>
<u>Current assets</u>			
Due from fellow subsidiary		361,426	361,426
Taxation		-	168
Cash at bank and in hand		<u>205</u>	<u>205</u>
		<u>361,631</u>	<u>361,799</u>
<u>Creditors: amounts falling due within one year</u>			
Owed to parent undertaking		336,149	337,412
Owed to fellow subsidiary undertakings		-	109
Taxation		<u>257</u>	<u>-</u>
		<u>336,406</u>	<u>337,521</u>
<u>Net current assets</u>		<u>25,225</u>	<u>24,278</u>
<u>Total assets less current liabilities</u>		59,373	58,426
<u>Provisions for liabilities and charges</u>	6	( 573)	( 605)
<u>Net assets</u>		<u>58,800</u>	<u>57,821</u>
<u>Capital and reserves</u>			
Called up share capital	7	53,092	53,092
Share premium account		19,873	19,873
Profit and loss account		<u>(14,165)</u>	<u>(15,144)</u>
<u>Equity shareholders' funds</u>	8	<u>58,800</u>	<u>57,821</u>

The financial statements on pages 3 to 7 were approved by the board on 1 march 2000.



Director

J. H. Gunn.

# PEARSON INVESTMENT SERVICES LIMITED

## Notes to the financial statements

### 1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK. A summary of the more important accounting policies, which have been applied consistently, is set out below.

- a) Basis of accounting - the financial statements are prepared under the historical cost convention.
- b) Fixed asset investments are stated at cost less provisions for diminution in value.
- c) Foreign currencies - gains or losses on the translation of non UK investments are taken to reserves, net of exchange differences arising on related foreign currency borrowings to the extent that exchange differences on related borrowings offset exchange gains or losses on translation of non UK investments. Exchange differences on related borrowings exceeding those on non UK investments are taken to the profit and loss account.

### 2. Cash flow statement

The company is a wholly owned subsidiary of Pearson plc and the cash flows of the company are included in the consolidated group cash flow statement of Pearson plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

### 3. Directors' Emoluments and Employee Costs

The directors are employed by another group company and are remunerated by that company in respect of their services as group employees. They receive no emoluments from the company. No one was employed by the company at any time during the year.

### 4. Taxation on profit/(loss) on ordinary activities

	<u>1999</u> £000	<u>1998</u> £000
UK Corporation Tax at 30.25% (1998:31%)	<u>(425)</u>	<u>85</u>

### 5. Fixed asset investments

£000

Subsidiary undertakings:-

At 1 January 1999 and 31 December 1999	<u>34,148</u>
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Details of the company's subsidiaries are shown below:

	<u>Country of</u> <u>Incorporation</u>	<u>Beneficial</u> <u>Percentage</u> <u>Held</u>
Pearson Services Limited	UK	100%

Group accounts have not been prepared as Pearson Investment Services Limited is a wholly owned subsidiary of Pearson plc, which is registered in England and Wales. In the opinion of the directors the value of investments in subsidiaries is not less than the amounts at which they are stated in the balance sheet.

# PEARSON INVESTMENT SERVICES LIMITED

## Notes to the financial statements (continued)

6.	<u>Provisions for Liabilities and Charges</u>	Guarantees of former subsidiary <u>undertaking</u> £000
	At 1 January 1999	605
	Utilised during the year	(32)
	At 31 December 1999	<u>573</u>

The provision relates to the company's obligations in respect of damp proofing services provided by a former subsidiary.

7.	<u>Called up Share Capital</u>	<u>1999</u>	<u>1998</u>
		£000	£000
	Authorised		
	240 million ordinary shares of 25p each	<u>60,000</u>	<u>60,000</u>
	Called up, allotted and fully paid		
	212,367,046 ordinary shares of 25p each	<u>53,092</u>	<u>53,092</u>

8.	<u>Reconciliation of movement in shareholders' funds</u>	<u>1999</u>	<u>1998</u>
		£000	£000
	Opening shareholders' funds	57,821	58,009
	Profit / (loss) for the year	<u>979</u>	<u>(188)</u>
	Closing shareholders' funds	<u>58,800</u>	<u>57,821</u>

## 9. Contingent Liabilities

The company participates in an arrangement with Midland Bank plc whereby the accounts of Pearson plc and thirty-nine of its subsidiaries, "the guarantors", are combined, with cleared debit and credit balances being offset for interest calculation purposes. In order to comply with banking regulations, each guarantor to this arrangement has provided a multilateral guarantee in respect of the overdraft obligations (but no other debts due to the bank) of each of the other participants. The net balance under this arrangement at 31 December 1999 was a net cash balance of £7,915,282.

The maximum amount of this guarantee is limited to a net overdraft of £50,000,000. As at 31 December 1999 this was the company's potential liability.

As at 31 December 1999 the potential liability arising from these guarantee arrangements amounted to £50,000,000 for the parent undertakings and fellow subsidiary undertakings and £nil for the subsidiary undertakings of the company.

## 10. Transactions with directors

No director had a material interest in any contract or arrangement with the company during the year.

## 11. Related party transactions

The company is a wholly owned subsidiary of Pearson plc and utilises the exemption contained in FRS 8 Related Party Disclosures not to disclose any transactions with entities that are part of the Pearson group. The address at which Pearson plc consolidated financial statements are publicly available is shown in note 12.

**PEARSON INVESTMENT SERVICES LIMITED**

**Notes to the financial statements (continued)**

12. **Ultimate parent company**

The ultimate parent company is Pearson plc which is registered in England and Wales. Copies of the consolidated financial statements of Pearson plc may be obtained from The Secretary, Pearson plc, 3 Burlington Gardens, London W1X 1LE.

## PEARSON INVESTMENT SERVICES LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and apply them consistently and make judgements and estimates that are reasonable and prudent.

The directors must also state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements which must be prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for the maintenance of adequate accounting records in compliance with the Companies Act 1985, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

### REPORT OF THE AUDITORS TO THE MEMBERS OF PEARSON INVESTMENT SERVICES LIMITED

We have audited the financial statements on pages 3 to 7, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described above in the Statement of Directors' Responsibilities, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the UK Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Murat Shukur Cooper*  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Southwark Towers  
32 London Bridge Street  
London

1 March 2000